

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 12067 01 OF 02 031653Z

44

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 SP-02 USIA-06

AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 IO-13 L-03 H-02 PA-01 PRS-01

/117 W

----- 117761

P R 031651Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4205

AMEMBASSY MANILA PRIORITY

INFO AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 12067

FOR USADB MANILA

E.O.11652: N/A

TAGS: EAID, EFIN, UK

SUBJECT: INCREASE IN ADB LENDING RATE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 12067 01 OF 02 031653Z

REF: STATE 188415

SUMMARY. UK GOVERNMENT: (A) FULLY AGREES WITH U.S. POSITION ON RAISING OF LENDING RATE TO 9.15 PERCENT, (B) SEEKS DEFERRAL OF DECISION ON HONG KONG PREMIUM RATE, (C) SUPPORTS ONLY 0.45 PERCENT COMMITMENT CHARGE AS AN INTERIM MEASURE, (D) PREFERS US NOT ACCEPT RETRO-ACTIVITY ASPECT OF PROPOSED NEW LENDING RATE, AND (E) WILL GO ALONG WITH MAJORITY ON THE 5 OR 10 BASIS POINT ISSUE. IN GENERAL, BRITISH SEE PROPOSALS AS A PACKAGE WHICH SHOULD BE SUPPORTED AS FAR AS POSSIBLE IN ORDER TO GET 9.15 PERCENT RATE ACCEPTED. BRITISH WOULD THEN LIKE TO SEE A FULL REVIEW AT JANUARY MEETING. END SUMMARY.

1. LENDING RATE. DISCUSSIONS WITH ADB DESK OFFICER CARTER AT ODM, UK ADB DIRECTOR FRYER AND HM TREASURY OFFICIALS HAVE MADE IT CLEAR THAT UK SOLIDLY SUPPORTS LENDING RATE INCREASE TO 9.15 PERCENT, BASICALLY AS AN INTERIM MEASURE UNTIL JANUARY REVIEW. WE UNDERSTAND THIS IS CONSIDERED AN ISSUE OF MAJOR IMPORTANCE. UK WOULD NOT GO ALONG WITH THE MAJORITY IF IT DECIDED ON 9.10 PERCENT, BUT WOULD VOTE NO FOR THE RECORD. IN FRYER'S VIEW, RESISTANCE TO 9.15 IS GROWING AND HE SEES ONLY 50-50 CHANCE OF SUCCESS.

2. PREMIUM RATE. BRITISH PREFER TO DEFER THIS ISSUE UNTIL SEPTEMBER AS SUGGESTED BY JAPANESE. UK HAS TWO OPPOSING POLICIES TO SORT OUT: A GENERAL POLICY OF NOT SUBSIDIZING RATES TO WEALTHIER DEVELOPING COUNTRIES BUT AN OBLIGATION TO SUPPORT THE INTERESTS OF HONG KONG. IF FORCED TO MAKE A DECISION NOW, "OBLIGATIONS TO THE COLONY WOULD PREVAIL" AND THE UK WOULD VOTE FOR THE COMPLETE ABOLITION OF THE PREMIUM RATE. FRYER ASKS THAT THIS INFORMATION NOT RPT NOT BE DIVULGED TO ANY NON-AMERICAN SOURCES, ESPECIALLY THE AUSTRALIANS.

3. COMMITMENT CHARGE. OFFICIALS HERE AGREE THAT THERE IS AN ECONOMIC CASE FOR A COMMITMENT FEE OVER 0.75 PERCENT BUT WILL SUPPORT PRESIDENT'S PROPOSAL FOR 0.45 PERCENT AS AN INTERIM MEASURE SUBJECT TO JANUARY REVIEW. THEY BELIEVE THERE IS NO REAL HOPE AT THE PRESENT TIME LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 12067 01 OF 02 031653Z

OF GETTING ANYTHING BEYOND 0.45, AND THIS STEP IN THE RIGHT DIRECTION IS BETTER THAN HAVING THE WHOLE 9.15

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 12067 02 OF 02 032129Z

63

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 IO-13 SP-02 USIA-06

AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /117 W

----- 121491

P R 031651Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4206

AMEMBASSY MANILA PRIORITY

INFO AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 12067

PERCENT PACKAGE UPSET.

4. RETROACTIVITY OF NEW LENDING RATE. FRYER BELIEVES
THERE IS LITTLE LEVERAGE TO BE GAINED WITH PHILIPPINES
AND PAKISTAN BY ACCEPTING ELIMINATION OF RETROACTIVITY
ASPECT OF LENDING RATE INCREASE AND THAT THERE IS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 12067 02 OF 02 032129Z

POTENTIAL DANGER IN REOPENING THIS ISSUE WHICH WAS SUCH A HARD-WON BATTLE IN THE FIRST PLACE. FRYER WAS SPECIFICALLY APPROACHED BY PHILIPPINE AND PAKISTANI REPRESENTATIVES CLAIMING RETROACTIVITY MADE LITTLE DIFFERENCE TO THEIR COUNTRIES' LOANS, AND FRYER GIVES AT LEAST SOME WEIGHT TO THESE APPROACHES. SO, UK WOULD PREFER NOT TO SEE RETROACTIVITY BARGAINED AWAY.

5. TEN BASIS POINT RULE. UK GENERAL STANCE IS TO SUPPORT ADB PRESIDENT'S CALL FOR 10 POINTS ON BASIS OF HIS ARGUMENTS THAT AN AUTOMATIC LINKAGE OF 5 POINTS WILL TRIGGER TOO MANY CHANGES WHICH REALLY MAKE LITTLE DIFFERENCE. THERE IS NO STRONG FEELING HERE ON THIS ISSUE, AND THE UK WILL GO ALONG WITH THE MAJORITY, WHICH THEY FEEL WILL BE FOR 10 BASIS POINTS.

6. IN SUM, UK SEES ADB PRESIDENT'S PROPOSALS AS A PACKAGE WHICH SHOULD BE SUPPORTED AS FAR AS POSSIBLE IN ORDER TO MAXIMIZE THE CHANCES OF OBTAINING THE PRIORITY GOAL: A LENDING RATE INCREASE TO 9.15 PERCENT. THUS, UK WILL SOLIDLY SUPPORT US ON OUR FIRST PRIORITY BUT NOT NECESSARILY ON OUR SECONDARY PRIORITIES.

ARMSTRONG

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, FINANCIAL PROGRAMS, LOANS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 03 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON12067
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760299-0257
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760893/aaaaddlf.tel
Line Count: 194
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 188415
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by SmithRJ>; APPROVED <03 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INCREASE IN ADB LENDING RATE LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: EAID, EFIN, UK, ADB
To: STATE MANILA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006